

# PANOLA COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports  
For the Year Ended September 30, 2011

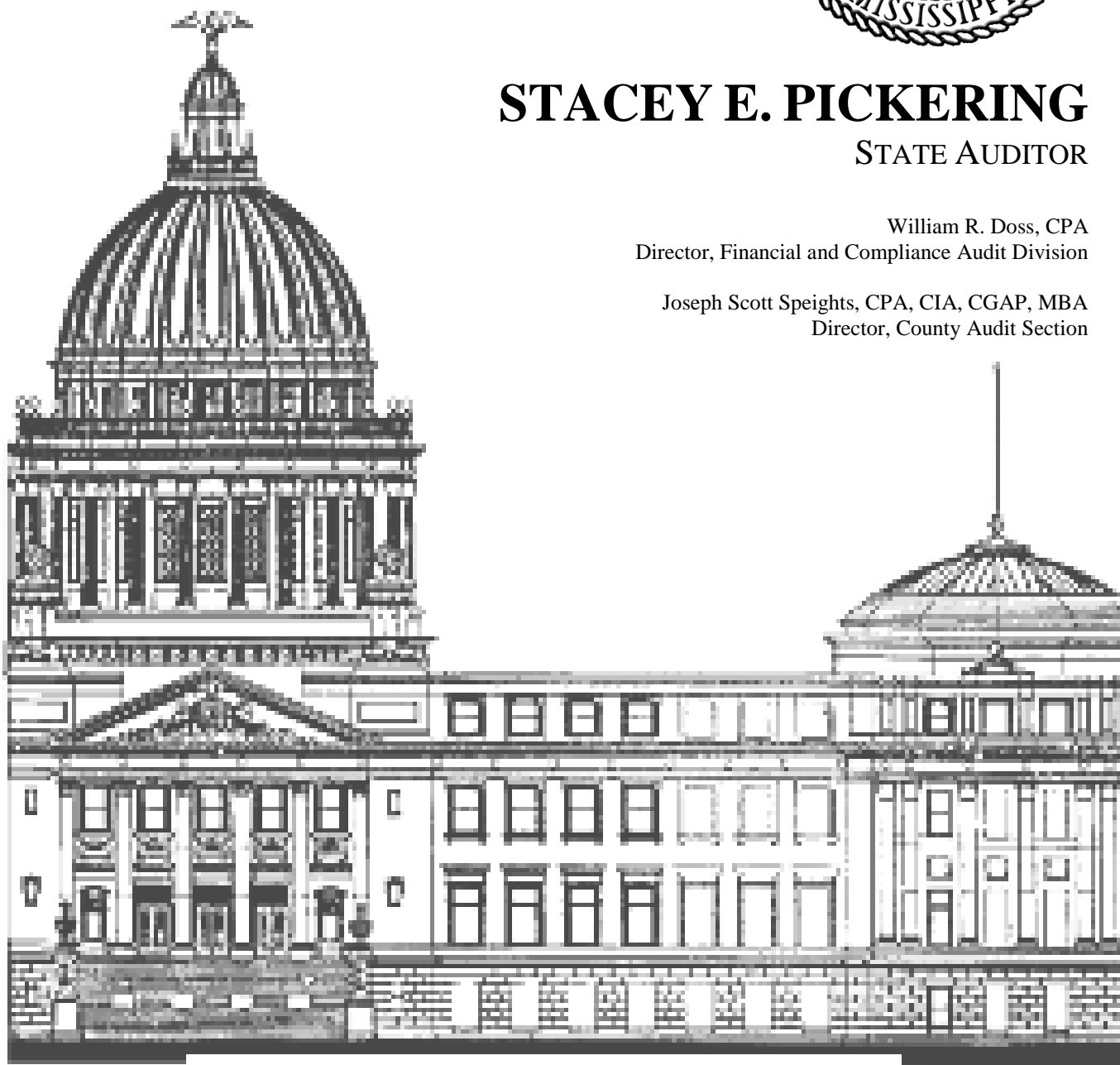


## STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA  
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA  
Director, County Audit Section



A Report from the County Audit Section

[www.osa.state.ms.us](http://www.osa.state.ms.us)









**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

May 29, 2013

Members of the Board of Supervisors  
Panola County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2011 financial and compliance audit report for Panola County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Panola County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor Panola for County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", is written over a horizontal line.

Stacey E. Pickering  
State Auditor



PANOLA COUNTY  
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PANOLA COUNTY

FINANCIAL SECTION

PANOLA COUNTY

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**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

**INDEPENDENT AUDITOR'S REPORT**

Members of the Board of Supervisors  
Panola County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Panola County, Mississippi, (the County), as of and for the year ended September 30, 2011, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements do not include financial data for the County's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The County has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net assets, revenues and expenses of the aggregate discretely presented component units is not reasonably determinable.

In our opinion, because of the omission of the discretely presented component units, as discussed previously, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Panola County, Mississippi, as of September 30, 2011, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Panola County, Mississippi, as of September 30, 2011, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

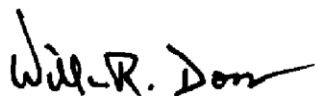
As discussed in Note 2, the County adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* as of October 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2013, on our consideration of Panola County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Panola County, Mississippi, has not presented Management's Discussion and Analysis, that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The Budgetary Comparison Schedules and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Panola County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

May 29, 2013

PANOLA COUNTY

FINANCIAL STATEMENTS

PANOLA COUNTY

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PANOLA COUNTY  
Statement of Net Assets  
September 30, 2011

Exhibit 1

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Cash	\$ 9,085,724	207,560	9,293,284
Investments	2,563,885	162,000	2,725,885
Restricted assets - cash	375,018		375,018
Property tax receivable	9,956,975		9,956,975
Accounts receivable (net of allowance for uncollectibles of \$4,388,298)		199,243	199,243
Fines receivable (net of allowance for uncollectibles of \$2,095,341)	103,487		103,487
Loans receivable	819,500		819,500
Intergovernmental receivables	522,667	62,939	585,606
Other receivables	198,347		198,347
Internal balances	487,841	(487,841)	
Deferred charges - bond issuance costs	202,652		202,652
Capital assets:			
Land and construction in progress	1,945,529		1,945,529
Other capital assets, net	49,636,853	1,184,867	50,821,720
Total Assets	<u>75,898,478</u>	<u>1,328,768</u>	<u>77,227,246</u>
LIABILITIES			
Claims payable	655,866	82,198	738,064
Intergovernmental payables	787,524		787,524
Accrued interest payable	83,529		83,529
Deferred revenue	9,956,975		9,956,975
Unearned revenue		65,432	65,432
Amounts held in custody for others	102,789		102,789
Other payables	277		277
Long-term liabilities			
Due within one year:			
Capital debt	994,609	254,641	1,249,250
Non-capital debt	625,000		625,000
Due in more than one year:			
Capital debt	5,474,217	755,922	6,230,139
Non-capital debt	5,376,724	19,048	5,395,772
Total Liabilities	<u>24,057,510</u>	<u>1,177,241</u>	<u>25,234,751</u>
NET ASSETS			
Invested in capital assets, net of related debt	45,113,556	174,304	45,287,860
Restricted:			
Expendable:			
General government	673,276		673,276
Debt service	997,231		997,231
Public safety	1,072,583		1,072,583
Public works	1,805,907		1,805,907
Economic development	1,272,043		1,272,043
Unemployment compensation	25,897		25,897
Nonexpendable	282,649		282,649
Unrestricted	597,826	(22,777)	575,049
Total Net Assets	<u>\$ 51,840,968</u>	<u>151,527</u>	<u>51,992,495</u>

The notes to the financial statements are an integral part of this statement.

PANOLA COUNTY  
Statement of Activities  
For the Year Ended September 30, 2011

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 4,661,064	736,376	202,013		(3,722,675)		(3,722,675)
Public safety	5,953,452	1,057,285	385,935		(4,510,232)		(4,510,232)
Public works	4,779,663		942,707	698,936	(3,138,020)		(3,138,020)
Health and welfare	324,213		87,285		(236,928)		(236,928)
Culture and recreation	11,899				(11,899)		(11,899)
Conservation of natural resources	101,000				(101,000)		(101,000)
Economic development and assistance	4,142,467		422,644		(3,719,823)		(3,719,823)
Interest on long-term debt	577,301				(577,301)		(577,301)
Total Governmental Activities	<u>20,551,059</u>	<u>1,793,661</u>	<u>2,040,584</u>	<u>698,936</u>	<u>(16,017,878)</u>		<u>(16,017,878)</u>
Business-type activities:							
Solid Waste	<u>1,876,727</u>	<u>1,826,006</u>				(50,721)	(50,721)
Total Business-type Activities	<u>1,876,727</u>	<u>1,826,006</u>	<u>0</u>	<u>0</u>		(50,721)	(50,721)
Total Primary Government	<u>\$ 22,427,786</u>	<u>3,619,667</u>	<u>2,040,584</u>	<u>698,936</u>	<u>(16,017,878)</u>	<u>(50,721)</u>	<u>(16,068,599)</u>
General revenues:							
Property taxes					\$ 10,823,754		10,823,754
Road & bridge privilege taxes					411,787		411,787
Grants and contributions not restricted to specific programs					1,313,337	7,877	1,321,214
Unrestricted interest income					78,708	1,787	80,495
Miscellaneous					480,092	191,855	671,947
Transfers of capital assets					(10,890)	10,890	0
Total General Revenues and Transfers					<u>13,096,788</u>	<u>212,409</u>	<u>13,309,197</u>
Changes in Net Assets					<u>(2,921,090)</u>	<u>161,688</u>	<u>(2,759,402)</u>
Net Assets - Beginning, as previously reported					54,683,738	(3,785)	54,679,953
Prior period adjustments					78,320	(6,376)	71,944
Net Assets - Beginning, as restated					<u>54,762,058</u>	<u>(10,161)</u>	<u>54,751,897</u>
Net Assets - Ending					<u>\$ 51,840,968</u>	<u>151,527</u>	<u>51,992,495</u>

The notes to the financial statements are an integral part of this statement.



PANOLA COUNTY  
Balance Sheet - Governmental Funds  
September 30, 2011

Exhibit 3

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	GE Expansion Fund	Countywide Road Maintenance Fund	Bridge Fund		
ASSETS						
Cash	\$ 5,461,575		1,152,227	257,259	2,214,663	9,085,724
Investments	400,000		500,000	100,000	1,563,885	2,563,885
Restricted assets - cash					375,018	375,018
Property tax receivable	6,208,611		1,213,151	1,392,328	1,142,885	9,956,975
Fines receivable (net of allowance for uncollectibles of \$2,095,341)	103,487					103,487
Loans receivable					819,500	819,500
Intergovernmental receivables	207,849				314,818	522,667
Other receivables	19,471			1,450	28,981	49,902
Due from other funds	19,639		102,925	63,213	80,345	266,122
Advances to other funds	1,521,047		14,010		540,340	2,075,397
Total Assets	\$ 13,941,679	0	2,982,313	1,814,250	7,080,435	25,818,677
LIABILITIES AND FUND BALANCES						
Liabilities:						
Claims payable	\$ 285,891		136,142	34,202	199,631	655,866
Intergovernmental payables	749,883					749,883
Due to other funds	284,124				1,457	285,581
Advances from other funds	104,945		848,688		503,660	1,457,293
Deferred revenue	6,312,098		1,213,151	1,392,328	1,142,885	10,060,462
Amounts held in custody for others	102,789					102,789
Other payables	227		50			277
Total Liabilities	7,839,957	0	2,198,031	1,426,530	1,847,633	13,312,151
Fund balances:						
Nonspendable:						
Advances	1,521,047					1,521,047
Restricted for:						
General government					673,276	673,276
Public safety					1,072,583	1,072,583
Public works			784,282	387,720	633,905	1,805,907
Economic development and assistance					1,272,043	1,272,043
Debt service					1,080,760	1,080,760
Unemployment compensation					25,897	25,897
Assigned for:						
General government					536,230	536,230
Unassigned	4,580,675				(61,892)	4,518,783
Total Fund Balances	6,101,722	0	784,282	387,720	5,232,802	12,506,526
Total Liabilities and Fund Balances	\$ 13,941,679	0	2,982,313	1,814,250	7,080,435	25,818,677

The notes to the financial statements are an integral part of this statement.

## PANOLA COUNTY

Exhibit 3-1Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
September 30, 2011

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 12,506,526
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$81,022,881.	51,582,382
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	103,487
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(12,470,550)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(83,529)
Deferred charges - bond issuance costs	<u>202,652</u>
Total Net Assets - Governmental Activities	\$ <u><u>51,840,968</u></u>

The notes to the financial statements are an integral part of this statement.

## PANOLA COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended September 30, 2011

	Major Funds				Other	Total
	General	GE Expansion	Countywide Road	Bridge	Governmental	Governmental
	Fund	Fund	Maintenance	Fund	Funds	Funds
REVENUES						
Property taxes	\$ 6,572,674		1,372,140	1,285,571	1,593,369	10,823,754
Road and bridge privilege taxes			411,787			411,787
Licenses, commissions and other revenue	421,909				7,999	429,908
Fines and forfeitures	367,174				11,797	378,971
Intergovernmental revenues	1,529,564		1,301,612	33,600	1,188,081	4,052,857
Charges for services	531,968				435,171	967,139
Interest income	20,803	14,927	8,071	2,601	32,306	78,708
Miscellaneous revenues	220,810		151,228	1,496	94,036	467,570
Total Revenues	9,664,902	14,927	3,244,838	1,323,268	3,362,759	17,610,694
EXPENDITURES						
Current:						
General government	4,359,942				208,173	4,568,115
Public safety	4,423,480				1,243,835	5,667,315
Public works	89,009		2,925,759	952,091	966,720	4,933,579
Health and welfare	204,731				73,050	277,781
Culture and recreation	11,899					11,899
Conservation of natural resources	101,000					101,000
Economic development and assistance	171,257	3,900,000			66,925	4,138,182
Debt service:						
Principal	288,646		199,201	354,708	989,944	1,832,499
Interest	186,987		7,703	43,665	444,029	682,384
Total Expenditures	9,836,951	3,900,000	3,132,663	1,350,464	3,992,676	22,212,754
Excess of Revenues over (under) Expenditures	(172,049)	(3,885,073)	112,175	(27,196)	(629,917)	(4,602,060)
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of capital assets			23,333			23,333
Transfers in	351,922		173,025		258,233	783,180
Transfers out	(160,628)	(80,191)			(542,361)	(783,180)
Total Other Financing Sources and Uses	191,294	(80,191)	196,358	0	(284,128)	23,333
Net Changes in Fund Balances	19,245	(3,965,264)	308,533	(27,196)	(914,045)	(4,578,727)
Fund Balances - Beginning, as previously reported	6,082,477	3,965,264	556,449	414,916	5,891,289	16,910,395
Prior period adjustments			(80,700)		255,558	174,858
Fund Balances - Beginning, as restated	6,082,477	3,965,264	475,749	414,916	6,146,847	17,085,253
Fund Balances - Ending	\$ 6,101,722	0	784,282	387,720	5,232,802	12,506,526

The notes to the financial statements are an integral part of this statement.

PANOLA COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2011

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (4,578,727)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$1,263,566 exceeded depreciation of \$1,491,280 in the current period.	(227,714)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net gain of \$9,351 and the proceeds from the sale of \$23,333 in the current period.	(13,982)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	17,643
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount of debt repayments of \$1,832,499.	1,832,499
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Change in accrued interest payable	105,083
Change in deferred charges - bond issuance cost	(13,402)
Change in compensated absences	(31,600)
Other - Transfer of capital assets to Proprietary Fund	<u>(10,890)</u>
Change in Net Assets of Governmental Activities	\$ <u><u>(2,921,090)</u></u>

The notes to the financial statements are an integral part of this statement.

PANOLA COUNTY  
Statement of Net Assets - Proprietary Fund  
September 30, 2011

Exhibit 5

	<u>Enterprise Fund</u>
	<u>Solid Waste Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 207,560
Investments	162,000
Accounts receivable (net of allowance for uncollectibles of \$4,388,298)	199,243
Intergovernmental receivables	62,939
Advances to other funds	167,000
Total Current Assets	<u>798,742</u>
Noncurrent assets:	
Capital assets:	
Other capital assets, net	1,184,867
Total Noncurrent Assets	<u>1,184,867</u>
Total Assets	<u>1,983,609</u>
<b>LIABILITIES</b>	
Current liabilities:	
Claims payable	82,198
Due to other funds	18,182
Advances from other funds	636,659
Unearned revenue	65,432
Capital debt:	
Capital leases payable	254,641
Total Current Liabilities	<u>1,057,112</u>
Noncurrent liabilities:	
Capital debt:	
Capital leases payable	755,922
Non-capital debt:	
Compensated absences payable	19,048
Total Noncurrent Liabilities	<u>774,970</u>
Total Liabilities	<u>1,832,082</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	174,304
Unrestricted	<u>(22,777)</u>
Total Net Assets	<u>\$ 151,527</u>

The notes to the financial statements are an integral part of this statement.

## PANOLA COUNTY

Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund  
For the Year Ended September 30, 2011Exhibit 6

	Business-type Activities - Enterprise Fund
	Solid Waste Fund
Operating Revenues	
Charges for services	\$ 1,826,006
Total Operating Revenues	1,826,006
Operating Expenses	
Personal services	511,326
Contractual services	396,831
Materials and supplies	564,405
Depreciation expense	362,063
Indirect administrative cost	18,182
Total Operating Expenses	1,852,807
Operating Income (Loss)	(26,801)
Nonoperating Revenues (Expenses)	
Interest income	1,787
Intergovernmental grants	7,877
Gain/(loss) on sale of capital assets, net	179,208
Interest expense	(15,596)
Other income (expenses)	4,323
Net Nonoperating Revenue (Expenses)	177,599
Net Income Before Transfers	150,798
Transfers of capital assets	10,890
Changes in Net Assets	161,688
Net Assets - Beginning, as previously reported	(3,785)
Prior period adjustments	(6,376)
Net Assets - Beginning, as restated	(10,161)
Net Assets - Ending	\$ 151,527

The notes to the financial statements are an integral part of this statement.

PANOLA COUNTY  
Statement of Cash Flows - Proprietary Fund  
For the Year Ended September 30, 2011

Exhibit 7

	Business-type Activities: Enterprise Funds Major Fund
	<u>                    </u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 1,758,775
Payments to suppliers	(943,989)
Payments to employees	(514,987)
Net Cash Provided (Used) by Operating Activities	<u>299,799</u>
Cash Flows From Noncapital Financing Activities	
Intergovernmental grants received	6,268
Cash paid to other funds:	
Interfund loan repayments	(30,000)
Other receipts	4,323
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(19,409)</u>
Cash Flows From Capital and Related Financing Activities	
Proceeds from sale of capital assets	291,087
Acquisition and construction of capital assets	(39,840)
Principal paid on long-term debt	(402,563)
Interest paid on debt	(15,596)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(166,912)</u>
Cash Flows From Investing Activities	100,000
Proceeds from sale and maturities of investments	1,787
Interest and dividends on investments	(162,000)
Purchase of investment securities	<u>(60,213)</u>
Net Cash Provided (Used) by Investing Activities	53,265
Net Increase (Decrease) in Cash and Cash Equivalents	160,671
Cash and Cash Equivalents at Beginning of Year	
Adjustments to Beginning of Year Cash Due to Prior Period Adjustment	<u>(6,376)</u>
Cash and Cash Equivalents at End of Year	<u>\$ 207,560</u>

The notes to the financial statements are an integral part of this statement.

PANOLA COUNTY  
Statement of Cash Flows - Proprietary Fund  
For the Year Ended September 30, 2011

Exhibit 7

	Business-type Activities- Enterprise Funds	Major Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$	(26,801)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense		362,063
Provision for uncollectible accounts		69,287
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable		(83,054)
(Increase) decrease in intergovernmental receivable		(61,330)
Increase (decrease) in claims payable		11,740
Increase (decrease) in compensated absences liability		1,846
Increase (decrease) in unearned revenue		7,866
Increase (decrease) in interfund payables		18,182
Total Adjustments		<u>326,600</u>
Net Cash Provided (Used) by Operating Activities	\$	<u>299,799</u>

Noncash Capital Financing Activity:

Panola County lease purchased mobile equipment for \$483,739 for 5 years at 3.04/3.18% interest.  
Principal payments of \$402,563 were made on the lease during the year.

The notes to the financial statements are an integral part of this statement.



PANOLA COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2011

Exhibit 8

		Agency Funds
ASSETS		
Cash	\$	169,562
Due from other funds		37,641
Total Assets	\$	<u>207,203</u>
LIABILITIES		
Amounts held in custody for others	\$	58,758
Advances from other funds		148,445
Total Liabilities	\$	<u>207,203</u>

The notes to the financial statements are an integral part of this statement.

PANOLA COUNTY

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## PANOLA COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2011

#### (1) Summary of Significant Accounting Policies.

##### A. Financial Reporting Entity.

Panola County is a political subdivision of the State of Mississippi. The county is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Panola County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county.

Management has chosen to omit from these financial statements the following component units which have significant operational or financial relationships with the county. Accordingly, the financial statements do not include the data of all of the county's component units necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- Bynum Fire District
- Cole's Point Fire District
- Curtis Fire Department
- Mt. Olivett Fire Department
- Sardis Lower Lake Fire District
- Pope Volunteer Fire District
- Pleasant Gove Fire District
- Union Fire District
- North Panola Utility District
- Longtown Fire District
- Long Creek Sewer District

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the county legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

##### B. Individual Component Unit Disclosures.

###### Blended Component Units

Certain component units, although legally separate from the primary government, are nevertheless so intertwined with the primary government that they are, in substance, the same as the primary government. Therefore, these component units are reported as if they are part of the primary government. The following component units balances and transactions are blended with the balances and transactions of the primary government.

The Panola County Civic Improvement Corporation is comprised solely of the five members of the Board of Supervisors. Although it is legally separate from the county, the corporation is reported as if it were part of the primary government because its sole purpose is to finance and construct the county's new jail building.

## PANOLA COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2011

The Panola County Industrial Authority is a legally separate entity, organized by a local and private bill to provide for land acquisitions and improvements for industrial development purposes. Its five-member board of commissioners is appointed by the Board of Supervisors

The Panola County Economic Development District is comprised solely of the five members of the Board of Supervisors. Although it is legally separate from the county, the corporation is reported as if it were part of the primary government because its sole purpose is to finance a substation for industries in the county.

#### C. Basis of Presentation.

The county's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

##### Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

The Statement of Net Assets presents the financial condition of the governmental activities and business-type activities of the county at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the county's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the county, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business-type activity or governmental function is self-financing or draws from the general revenues of the county.

##### Fund Financial Statements:

Fund financial statements of the county are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

#### D. Measurement Focus and Basis of Accounting.

The Government-wide, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place.

## PANOLA COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2011

Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

The county's Proprietary Funds apply all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The revenues and expenses of Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The county reports the following major Governmental Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

GE Expansion Fund - This fund is used to account for the bond proceeds and related expenditures for the GE expansion capital project.

Countywide Road Maintenance Fund - This fund is used to account for monies from specific revenue sources that are restricted for road maintenance.

Bridge Fund - This fund is used to account for monies from specific revenue sources that are restricted for bridge maintenance.

The county reports the following major Enterprise Funds:

Solid Waste Fund - This fund is used to account for the county's activities of disposal of solid waste within the county.

Additionally, the county reports the following fund types:

#### GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

## PANOLA COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2011

#### PROPRIETARY FUND TYPE

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the county has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

#### FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the county, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

#### E. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

#### F. Deposits and Investments.

State law authorizes the county to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the county may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the county did not invest in any governmental securities during the fiscal year.

#### G. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

#### H. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

#### I. Restricted Assets.

Assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as restricted assets. Restricted assets reflect proceeds received from the Panola County Jail Project Certificates of Participation less amounts paid on construction commitments. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first.

# PANOLA COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2011

### J. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the applicable governmental or business-type activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because noncapitalization of interest does not have a material effect on the county's financial statements. Donated capital assets are recorded at their fair value at the time of donation.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and Proprietary Funds. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

\* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

### K. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

PANOLA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2011

L. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets not meeting the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Government fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the county:

*Nonspendable fund balance* includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.

*Restricted fund balance* includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

*Assigned fund balance* includes amounts that are constrained by the county’s intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed. Assignments of fund balance are created by the County Administrator.

*Unassigned fund balance* is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the county’s general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the county’s general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.



## PANOLA COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2011

#### M. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the county. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

#### N. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

#### O. Compensated Absences.

The county has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and Proprietary Funds financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

#### (2) Changes in Accounting Standards.

For the fiscal year ended September 30, 2011, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

# PANOLA COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2011

### (3) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows

Exhibit 2 - Statement of Activities.

Explanation	Amount
<b>Governmental Activities:</b>	
To correct errors in intergovernmental and other payables	\$ 255,558
To correct errors in compensated absences	(111,470)
To correct errors in capital assets, net	14,932
To correct errors in liabilities	(80,700)
Total prior period adjustments	\$ 78,320
<b>Business-type Activities:</b>	
To correct beginning cash balances	\$ (6,376)
Total prior period adjustments	\$ (6,376)

Exhibit 4 - Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

Explanation	Amount
To correct errors in intergovernmental and other payables	\$ 255,558
To correct error in liabilities	(80,700)
Total prior period adjustments	\$ 174,858

Exhibit 6 - Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds.

Explanation	Amount
To correct beginning cash balances	\$ (6,376)
Total prior period adjustments	\$ (6,376)

### (4) Deposits and Investments.

#### Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2011, was \$9,837,864, and the bank balance was \$9,966,517. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

**Custodial Credit Risk - Deposits.** Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

# PANOLA COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2011

### Investments:

Investments balances at September 30, 2011, are as follows:

Investment Type	Maturities	Fair Value	Rating
Certificates of Deposit	4 – 12 months	\$ 2,725,885	None

**Interest Rate Risk.** The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, Section 19-9-29, Miss. Code Ann. (1972) limits the maturity period of any investment to no more than one year.

**Credit Risk.** State law limits investments to those authorized by Sections 19-9-29 and 91-13-8, Miss. Code Ann. (1972). The county does not have a formal investment policy that would further limit its investments choices or one that addresses credit risk.

**Custodial Credit Risk - Investments.** Custodial credit risk is the risk that in the event of the failure of the counterparty, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Bank certificates of deposit above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

### (5) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2011:

#### A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General	Other Governmental Funds	\$ 1,457
General	Solid Waste	18,182
Countywide Road Maintenance	General	102,925
Bridge	General	16,029
Bridge	General	47,184
Other Governmental Funds	General	80,345
Agency Funds	General	37,641
Total		\$ 303,763

The receivables represent the tax revenue collected but not settled until October, 2011, indirect cost payable, as well as funds paid to various funds to alleviate funding shortages. All interfund balances are expected to be repaid within one year from the date of the financial statements.

PANOLA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2011

B. Advances from/to Other Funds:

Receivable Fund	Payable Fund	Amount
General	Countywide Road Maintenance	\$ 661,658
General	Solid Waste	282,649
General	Other Governmental Funds	468,295
General	Agency Funds	108,445
Countywide Road Maintenance	Solid Waste	14,010
Other Governmental Funds	General	104,945
Other Governmental Funds	Countywide Road Maintenance	20,030
Other Governmental Funds	Solid Waste	340,000
Other Governmental Funds	Other Governmental Funds	35,365
Other Governmental Funds	Agency Funds	40,000
Solid Waste	Countywide Road Maintenance	167,000
Total		\$ 2,242,397

The balances represent funds advanced to various funds to alleviate funding shortages. All interfund balances are not expected to be repaid within one year from the date of the financial statements.

C. Transfers In/Out:

Transfer In	Transfer Out	Amount
General Fund	Other Governmental Funds	\$ 351,922
Countywide Road Maintenance Fund	Other Governmental Funds	173,025
Other Governmental Funds	General Fund	160,628
Other Governmental Funds	Other Governmental Funds	17,414
Other Governmental Funds	G.E. Expansion Fund	80,191
Total		\$ 783,180

The principal purpose of interfund transfers was to provide funds for grant matches or to provide funds to pay for capital outlay. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(6) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2011, consisted of the following:

Description	Amount
<b>Governmental Activities:</b>	
Legislative tax credit	\$ 110,655
Department of human services	4,479
Civil defense	51,087
MDOT trash grant	1,234
Youth court grant	997
Housing prisoners	39,397
Energy grant	44,098
Patrolling at lake	4,792
FAA grant	32,444
Disaster grant – public assistance (FEMA)	217,970

PANOLA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2011

Description	Amount
Edward Byrne memorial justice assistance grant program	9,557
Neighborhood watch grant	1,457
Triad grant	4,500
Total Governmental Activities	\$ <u>522,667</u>
<b>Business-type Activities:</b>	
Waste tire grant	\$ 1,609
City of Sardis	6,273
City of Batesville	23,645
Town of Crenshaw	20,648
Town of Como	10,764
Total Business-type Activities	\$ <u>62,939</u>

- (7) Restricted assets reflect proceeds received from the Panola County Jail Project Certificates of Participation less amounts paid on construction commitments. Cash in the amount of \$375,018 is held in trust with a fiscal agent.

- (8) Loans Receivable.

Loans receivable balances at September 30, 2011, are as follows:

Description	Date of Loan	Interest Rate	Maturity Date	Receivable Balance
Batesville Apartment Homes, IV, LLC	8/16/2006	1%	8/18/2056	\$ 819,500

- (9) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2011:

**Governmental activities:**

	Balance Oct. 1, 2010	Additions	Deletions	Adjustments*	Balance Sept. 30, 2011
<b>Non-depreciable capital assets:</b>					
Land	\$ 1,371,174				1,371,174
Construction in progress	1,213,220	698,936		(1,337,801)	574,355
Total non-depreciable capital assets	2,584,394	698,936	0	(1,337,801)	1,945,529
<b>Depreciable capital assets:</b>					
Infrastructure	105,659,133			1,112,503	106,771,636
Buildings	12,264,135			(184,664)	12,079,471
Improvements other than buildings	1,508,832	220,424		112,394	1,841,650
Mobile equipment	4,139,224	302,233	56,896	570,506	4,955,067
Furniture and equipment	1,045,239	41,973	31,718	553,369	1,608,863
Leased property under capital leases	4,561,444			(1,158,397)	3,403,047
Total depreciable capital assets	129,178,007	564,630	88,614	1,005,711	130,659,734

PANOLA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2011

	Balance Oct. 1, 2010	Additions	Deletions	Adjustments*	Balance Sept. 30, 2011
<u>Less accumulated depreciation for</u>					
Infrastructure	70,061,892	315,088		(157,709)	70,219,271
Buildings	3,364,971	224,226		(15,322)	3,573,875
Improvements other than buildings	423,138	74,734		23,591	521,463
Mobile equipment	3,038,669	411,270	46,086	125,726	3,529,579
Furniture and equipment	772,652	128,600	28,546	351,329	1,224,035
Leased property under capital leases	<u>2,281,043</u>	<u>337,362</u>		<u>(663,747)</u>	<u>1,954,658</u>
Total accumulated depreciation	<u>79,942,365</u>	<u>1,491,280</u>	<u>74,632</u>	<u>(336,132)</u>	<u>81,022,881</u>
Total depreciable capital assets, net	<u>49,235,642</u>	<u>(926,650)</u>	<u>13,982</u>	<u>1,341,843</u>	<u>49,636,853</u>
Governmental activities capital assets, net	\$ <u>51,820,036</u>	<u>(227,714)</u>	<u>13,982</u>	<u>4,042</u>	<u>51,582,382</u>
<b>Business-type activities:</b>					
	Balance Oct. 1, 2010	Additions	Deletions	Adjustments*	Balance Sept. 30, 2011
<u>Depreciable capital assets:</u>					
Buildings	\$ 201,428				201,428
Improvements other than buildings	38,069				38,069
Mobile equipment	225,012	14,000	44,756	58,506	252,762
Furniture and equipment	7,331	25,840	32,274	62,326	63,223
Leased property under capital leases	<u>1,324,776</u>	<u>483,739</u>	<u>394,586</u>	<u>(81,936)</u>	<u>1,331,993</u>
Total depreciable capital assets	<u>1,796,616</u>	<u>523,579</u>	<u>471,616</u>	<u>38,896</u>	<u>1,887,475</u>
<u>Less accumulated depreciation for:</u>					
Buildings	36,261	4,029			40,290
Improvements other than buildings	13,707	1,523			15,230
Mobile equipment	99,340	37,659	36,254	45,655	146,400
Furniture and equipment	1,466	12,279	23,574	44,874	35,045
Leased property under capital leases	<u>521,502</u>	<u>306,573</u>	<u>299,909</u>	<u>(62,523)</u>	<u>465,643</u>
Total accumulated depreciation	<u>672,276</u>	<u>362,063</u>	<u>359,737</u>	<u>28,006</u>	<u>702,608</u>
Total depreciable capital assets, net	<u>1,124,340</u>	<u>161,516</u>	<u>111,879</u>	<u>10,890</u>	<u>1,184,867</u>
Business-type activities capital assets, net	\$ <u>1,124,340</u>	<u>161,516</u>	<u>111,879</u>	<u>10,890</u>	<u>1,184,867</u>

\*Adjustments were made to transfer paid out leased property to mobile equipment and furniture and equipment, to transfer completed construction in progress to infrastructure, to transfer assets between governmental and business-type activities, and to correct prior years' errors.

PANOLA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2011

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 111,884
Public safety	451,428
Public works	881,536
Health and welfare	<u>46,432</u>
Total governmental activities depreciation expense	\$ <u><u>1,491,280</u></u>
Business-type activities:	
Solid waste	\$ <u><u>362,063</u></u>

Commitments with respect to unfinished capital projects at September 30, 2011, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
Curtis Road	\$ 16,182	11/11/2011
Robinson Road	11,000	12/01/2011

(9) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2011, to January 1, 2012. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(10) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2011:

<u>Classes of Property</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Mobile equipment	\$ 3,403,047	1,331,993
Less: Accumulated depreciation	<u>1,954,658</u>	<u>465,643</u>
Leased Property Under Capital Leases	\$ <u><u>1,448,389</u></u>	<u><u>866,350</u></u>

PANOLA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2011

The following is a schedule by years of the total payments due as of September 30, 2011:

Year Ending September 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2012	\$ 574,609	37,102	254,641	29,950
2013	428,151	17,563	255,292	20,846
2014	257,792	6,374	228,221	13,429
2015	38,274	1,213	205,560	6,248
2016			66,849	1,839
Total	\$ <u>1,298,826</u>	<u>62,252</u>	<u>1,010,563</u>	<u>72,312</u>

(11) Short-term Debt and Liquidity.

The following is a summary of short-term debt activity for the year ended September 30, 2011:

Description of Debt	Balance	Additions	Reductions	Adjustment	Balance
	Oct. 1, 2010				Sept. 30, 2011
Tax Anticipation Notes	\$	150,000	150,000		0
Total	\$ <u>0</u>	<u>150,000</u>	<u>150,000</u>	<u>0</u>	<u>0</u>

During the month of October, 2010, the county issued \$150,000 of tax anticipation notes with an interest rate of 3.24% and maturity date of April 1, 2011 in order to alleviate a temporary operating cash flow deficiency.

(12) Long-term Debt.

Debt outstanding as of September 30, 2011, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<b>Governmental Activities:</b>			
A. General Obligation Bonds:			
1998 Series A refunding bonds	\$ 1,005,000	4.35%	11/2014
Road and bridge bonds	145,000	4.80%	07/2012
2009 Series road and bridge bonds	1,405,000	3.25%	06/2014
GE project bonds	<u>3,920,000</u>	4.00/5.50%	03/2025
Total General Obligation Bonds	\$ <u>6,475,000</u>		
B. Limited Obligation Bonds:			
Certificates of participation – jail	\$ <u>4,165,000</u>	4.65%	08/2027
C. Capital Leases:			
7 fire trucks	\$ 106,125	4.67%	08/2012
E911 system, stripper, chipper, truck	39,262	3.84%	04/2012
4 motor graders	331,810	3.14%	08/2013
9 Mack dump trucks	594,746	3.22%	08/2014
Hydraulic excavator	146,183	3.17%	08/2015
Backhoe	<u>80,700</u>	3.07%	10/2013
Total Capital Leases	\$ <u>1,298,826</u>		



PANOLA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2011

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
D. Other Loans:			
2007 General obligation note	\$ 170,000	3.82%	06/2012

**Business-type Activities:**

Capital Leases:			
2 Mack trucks	\$ 39,760	3.97%	10/2012
Truck	34,822	2.52%	07/2013
3 Kenworth trucks; Ford F550	421,445	3.18%	06/2015
Little Kenworth truck	62,441	3.18%	08/2015
Garbage truck	171,411	3.18%	11/2015
2 Roll off garbage trucks	280,684	3.04%	08/2016

Total Capital Leases \$ 1,010,563

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Assets are as follows:

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Limited Obligation Bonds	
	Principal	Interest	Principal	Interest
2012	\$ 690,000	280,394	185,000	185,358
2013	905,000	254,581	195,000	177,957
2014	1,075,000	219,097	200,000	170,158
2015	500,000	179,252	210,000	161,907
2016	250,000	163,787	220,000	153,192
2017 – 2021	1,495,000	615,813	1,250,000	615,543
2022 – 2026	1,560,000	175,769	1,550,000	309,612
2027 – 2031			355,000	16,864
Total	\$ <u>6,475,000</u>	<u>1,888,693</u>	<u>4,165,000</u>	<u>1,790,591</u>

Year Ending September 30	Other Loans	
	Principal	Interest
2012	\$ <u>170,000</u>	<u>6,494</u>

**Legal Debt Margin** - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2011, the amount of outstanding debt was equal to 3.97% of the latest property assessments.

# PANOLA COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2011

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2011:

	Balance Oct. 1, 2010	Additions	Reductions	Adjustments*	Balance Sept. 30, 2011	Amount due within one year
<b>Governmental Activities:</b>						
Compensated absences	\$ 218,654	31,600		111,470	361,724	
General obligation bonds	7,140,000		665,000		6,475,000	690,000
Limited obligation bonds	4,345,000		180,000		4,165,000	185,000
Capital leases	2,121,325		822,499		1,298,826	574,609
Other loans	335,000		165,000		170,000	170,000
Total	\$ 14,159,979	31,600	1,832,499	111,470	12,470,550	1,619,609
<b>Business-type Activities:</b>						
Compensated absences	\$ 17,202	1,846			19,048	
Capital leases	929,387	483,739	402,563		1,010,563	254,641
Total	\$ 946,589	485,585	402,563	0	1,029,611	254,641

\*This adjustment is to correct prior year errors in compensated absences.

Compensated absences will be paid from the fund from which the employees' salaries were paid which are generally the General Fund, Countywide Road Maintenance Fund, Seasonal Law Enforcement Fund, Narcotics Task Force Fund, Bridge Fund, E911 Fund, Industrial Park Construction Fund and Solid Waste Fund.

### (13) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2011:

Fund	Deficit Amount
Ambulance	\$ (61,892)
GE Bond	(219,809)

### (14) Contingencies.

**Federal Grants** - The county has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the county. No provision for any liability that may result has been recognized in the county's financial statements.

**Litigation** - The county is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the county with respect to the various proceedings. However, the county's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the county.

## PANOLA COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2011

(15) Joint Venture.

The county participates in the following joint venture:

Panola County is a participant with the counties of DeSoto, Lafayette, Tate and Tunica in a joint venture, authorized by section 39-3-9, Miss. Code Ann. (1972), to operate the First Regional Library. This joint venture was created to provide library services and is governed by a five-member board, with each county appointing one member. The county appropriated \$336,440 for support of the library in fiscal year 2011. Complete financial statements for the First Regional Library can be obtained from P. O. Box 386, Hernando, Mississippi 38632.

(16) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

North Delta Planning and Development District is composed of the counties of Coahoma, DeSoto, Panola, Quitman, Tallahatchie, Tate and Tunica. The Panola County Board of Supervisors appoints 4 of the 30 members of the board of directors. The county appropriated and made a payment of \$68,000 for support of the district in fiscal year 2011.

The Yazoo-Mississippi Water Management District operates in a district composed of the counties of Bolivar, Carroll, Coahoma, DeSoto, Holmes, Humphreys, Issaquena, Leflore, Panola, Quitman, Sharkey, Sunflower, Tallahatchie, Tate, Tunica, Washington and Yazoo. The Panola County Board of Supervisors appoints 1 of the 21 members of the board of commissioners. The county levied a .61 mil tax which resulted in \$3,219 to help support the district in fiscal year 2011.

Northwest Mississippi Community College operates in a district composed of the counties of Benton, Calhoun, DeSoto, Lafayette, Marshall, Panola, Quitman, Tallahatchie, Tate, Tunica and Yalobusha. The Panola County Board of Supervisors appoints 2 of the 23 members of the college board of trustees. The county appropriated \$495,111 for maintenance and support of the college in fiscal year 2011.

Mid-State Opportunity, Inc. operates in a district composed of the counties of DeSoto, Panola, Quitman, Tallahatchie, Tate and Tunica. The Panola County Board of Supervisors appoints 2 of the 30 board members, with 10 members coming from the business sector and 10 members coming from the minority disadvantaged. The county did not appropriate any funds for support of the agency in fiscal year 2011.

Communicare operates in a district composed of the counties of Calhoun, DeSoto, Lafayette, Marshall, Panola, Tate, and Yalobusha. The Panola County Board of Supervisors appoints 1 of the 7 members of the board of commissioners. The county appropriated \$39,000 for support of the agency in fiscal year 2011.

(17) Defined Benefit Pension Plan.

Plan Description. Panola County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2011, PERS members were required to contribute 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2011 was 12% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2011, 2010 and 2009 were \$701,806, \$680,001 and \$685,477, respectively, equal to the required contributions for each year.

# PANOLA COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2011

### (18) Subsequent Events.

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of Panola County evaluated the activity of the county through May 29, 2013, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2011, the county issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
10/03/2011	3.27%	\$ 36,250	Capital lease	Ad valorem taxes
11/21/2011	2.90%	75,755	Capital lease	Ad valorem taxes
04/25/2012	1.88%	210,567	Capital lease	Ad valorem taxes
05/14/2012	1.58%	863,560	Capital lease	Ad valorem taxes
05/14/2012	1.58%	904,540	Capital lease	Ad valorem taxes
06/26/2012	1.73%	204,979	Capital lease	Ad valorem taxes
10/22/2012	1.73%	60,247	Capital lease	Ad valorem taxes
12/03/2012	1.68%	151,486	Capital lease	Ad valorem taxes
02/25/2013	1.67%	659,420	Capital lease	Ad valorem taxes
05/17/2013	2.00-2.625%	4,315,000	Refunding bond	Ad valorem taxes

PANOLA COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

PANOLA COUNTY

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PANOLA COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 5,963,617	6,619,749	6,619,749	
Road and bridge privilege taxes	2,700	2,446	2,446	
Licenses, commissions and other revenue	655,295	602,077	602,077	
Fines and forfeitures	482,500	381,745	381,745	
Intergovernmental revenues	2,278,331	1,731,619	1,731,619	
Charges for services	415,000	237,154	237,154	
Interest income	60,000	25,789	25,789	
Miscellaneous revenues	103,925	154,507	154,507	
Total Revenues	<u>9,961,368</u>	<u>9,755,086</u>	<u>9,755,086</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	4,695,945	4,482,288	4,482,288	
Public safety	4,577,731	4,761,765	4,761,765	
Public works	706,240	87,328	87,328	
Health and welfare	238,072	214,836	214,836	
Culture and recreation	13,000	11,098	11,098	
Conservation of natural resources	98,309	95,770	95,770	
Economic development and assistance	246,000	187,839	187,839	
Debt service:				
Principal	180,000	288,646	288,646	
Interest	192,558	186,987	186,987	
Total Expenditures	<u>10,947,855</u>	<u>10,316,557</u>	<u>10,316,557</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(986,487)</u>	<u>(561,471)</u>	<u>(561,471)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	352,946	412,824	412,824	
Transfers out		(203,628)	(203,628)	
Total Other Financing Sources and Uses	<u>352,946</u>	<u>209,196</u>	<u>209,196</u>	<u>0</u>
Net Change in Fund Balance	(633,541)	(352,275)	(352,275)	0
Fund Balances - Beginning	<u>2,929,199</u>	<u>4,173,480</u>	<u>4,173,480</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 2,295,658</u>	<u>3,821,205</u>	<u>3,821,205</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

PANOLA COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 GE Expansion Fund  
 For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Interest income	\$ 20,000	14,927	14,927	
Total Revenues	<u>20,000</u>	<u>14,927</u>	<u>14,927</u>	<u>0</u>
EXPENDITURES				
Current:				
Economic development and assistance	3,996,544	3,900,000	3,900,000	
Total Expenditures	<u>3,996,544</u>	<u>3,900,000</u>	<u>3,900,000</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(3,976,544)</u>	<u>(3,885,073)</u>	<u>(3,885,073)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Transfers out		(80,191)	(80,191)	
Total Other Financing Sources and Uses	<u>0</u>	<u>(80,191)</u>	<u>(80,191)</u>	<u>0</u>
Net Change in Fund Balance	(3,976,544)	(3,965,264)	(3,965,264)	0
Fund Balances - Beginning	<u>3,976,544</u>	<u>3,965,264</u>	<u>3,965,264</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.



PANOLA COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 Countywide Road Maintenance Fund  
 For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,287,530	1,375,651	1,375,651	
Road and bridge privilege taxes	380,000	380,591	380,591	
Licenses, commissions and other revenue	904,000			
Intergovernmental revenues		730,609	730,609	
Interest income	10,000	8,071	8,071	
Miscellaneous revenues	7,232	151,228	151,228	
Total Revenues	<u>2,588,762</u>	<u>2,646,150</u>	<u>2,646,150</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	2,569,750	2,635,262	2,635,262	
Debt service:				
Principal		192,729	192,729	
Interest		14,175	14,175	
Total Expenditures	<u>2,569,750</u>	<u>2,842,166</u>	<u>2,842,166</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>19,012</u>	<u>(196,016)</u>	<u>(196,016)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from short term borrowing		150,000	150,000	
Proceeds from sale of capital assets		23,333	23,333	
Transfers in	150,000	38,025	38,025	
Transfers out	(46,475)			
Total Other Financing Sources and Uses	<u>103,525</u>	<u>211,358</u>	<u>211,358</u>	<u>0</u>
Net Change in Fund Balance	122,537	15,342	15,342	0
Fund Balances - Beginning	<u>1,238,041</u>	<u>1,636,835</u>	<u>1,636,835</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 1,360,578</u>	<u>1,652,177</u>	<u>1,652,177</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

PANOLA COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 Bridge Fund  
 For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,220,709	1,280,788	1,280,788	
Interest income	6,000	2,601	2,601	
Miscellaneous revenues		46	46	
Total Revenues	<u>1,226,709</u>	<u>1,283,435</u>	<u>1,283,435</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	1,247,889	940,288	940,288	
Debt service:				
Principal		367,073	367,073	
Interest		31,300	31,300	
Total Expenditures	<u>1,247,889</u>	<u>1,338,661</u>	<u>1,338,661</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(21,180)</u>	<u>(55,226)</u>	<u>(55,226)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Transfers in				
Transfers out				
Total Other Financing Sources and Uses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	(21,180)	(55,226)	(55,226)	0
Fund Balances - Beginning	<u>429,235</u>	<u>412,485</u>	<u>412,485</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 408,055</u>	<u>357,259</u>	<u>357,259</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

# PANOLA COUNTY

## Notes to the Required Supplementary Information For the Year Ended September 30, 2011

### A. Budgetary Information.

Statutory requirements dictate how and when the county's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the county, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The county's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

### B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

### C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major Special Revenue Fund:

	<u>Governmental Fund Types</u>			
	<u>General Fund</u>	<u>G.E. Expansion Fund</u>	<u>Countywide Road Maintenance Fund</u>	<u>Bridge Fund</u>
Budget (Cash Basis)	\$ (352,275)	(3,965,264)	15,342	(55,226)
Increase (Decrease)				
Net adjustments for revenue accruals	(266,739)	0	583,688	39,833
Net adjustments for expenditure accruals	<u>638,259</u>	<u>0</u>	<u>(290,497)</u>	<u>(11,803)</u>
GAAP Basis	<u>\$ 19,245</u>	<u>(3,965,264)</u>	<u>308,533</u>	<u>(27,196)</u>

PANOLA COUNTY

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PANOLA COUNTY

SUPPLEMENTAL INFORMATION

PANOLA COUNTY

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PANOLA COUNTY  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2011

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Commerce / Passed-through the MS Department of Public safety interoperable communications grant program	11.555	07PS313	\$ <u>196,727</u>
U.S. Department of Defense / Payments to states in lieu of real estate taxes (Direct Award)	12.112	N/A	<u>67,829</u>
U.S. Department of Housing and Urban Development / Passed-through the Mississippi Development Authority Community development block grants/state's program and non-entitlement grants in Hawaii	14.228	1125-08-054-ED-01	9,921
Community development block grants/state's program and non-entitlement grants in Hawaii	14.228	1124-07-054-EM-01	<u>44,050</u>
Total U.S. Department of Housing and Urban Development			<u>53,971</u>
U.S. Department of Justice / Passed through the Mississippi Department of Public Safety Edward Byrne memorial justice assistance grant program*	16.738	10NM 1541	115,626
U.S. Department of Justice-(Direct Award) Edward Byrne memorial justice assistance grant program*	16.738	N/A	<u>11,510</u>
Total U.S. Department of Justice			<u>127,136</u>
U.S. Department of Transportation / Passed through the Mississippi Department of Transportation Highway planning and construction	20.205	BRIS 074-0154	33,600
Airport improvement program	20.106	N/A	<u>36,971</u>
Total U.S. Department of Transportation			<u>70,571</u>
U.S. Department of Energy / Passed through the Mississippi Development Authority ARRA- Energy efficiency and conservation block grant program*	81.128	GT11-0810-0066	<u>118,304</u>

PANOLA COUNTY  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2011

<u>Federal Grantor/ Pass-through Grantor/ Program Title or Cluster</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Homeland Security / Passed through the Mississippi Emergency Management Agency Disaster grants-public assistance (presidentially declared disasters)*	97.036	FEMA-1972-DR-MS	238,286
Emergency management performance grants	97.042	10EMP	26,362
U.S. Department of Homeland Security / Passed through the Mississippi Department of Public Safety-Office of Homeland Security			
Homeland security grant program	97.067	09HS054	8,986
Homeland security grant program	97.067	A8HS0054T	9,000
Homeland security grant program	97.067	09CC054	<u>1,457</u>
Subtotal			<u>19,443</u>
Total U.S. Department of Homeland Security			<u>284,091</u>
Total Expenditures of Federal Awards			\$ <u><u>918,629</u></u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

\* Denotes major federal award program



PANOLA COUNTY

SPECIAL REPORTS

PANOLA COUNTY

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**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE  
FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors  
Panola County, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Panola County, Mississippi, (the County), as of and for the year ended September 30, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated May 29, 2013. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Panola County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 11-1, 11-2, 11-7 and 11-8 to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 11-3, 11-4, 11-5, 11-6, 11-9, 11-10, and 11-11 to be significant deficiencies.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Panola County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 11-2.

We also noted certain instances of noncompliance which we have reported to the management of Panola County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated May 29, 2013, included within this document.

Panola County's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. We did not audit Panola County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

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WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

May 29, 2013



**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board of Supervisors  
Panola County, Mississippi

Compliance

We have audited the compliance of Panola County, Mississippi with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011. Panola County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Panola County, Mississippi's management. Our responsibility is to express an opinion on Panola County, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Panola County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Panola County, Mississippi's compliance with those requirements.

In our opinion, Panola County, Mississippi, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011.

Internal Control Over Compliance

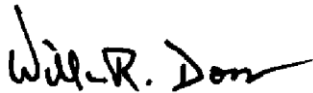
The management of Panola County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Panola County, Mississippi's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as items 11-12, 11-13 and 11-14. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Panola County's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. We did not audit Panola County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

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WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

May 29, 2013



**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM,  
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES  
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors  
Panola County, Mississippi

We have examined Panola County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2011. The Board of Supervisors of Panola County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Panola County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

The results of our audit procedures disclosed certain instances of noncompliance with the aforementioned code sections. These instances of noncompliance were considered in forming our opinion on compliance. Our findings and recommendations and your responses are disclosed below:

Purchase Clerk.

Two competitive written bids should be obtained when required.

1. Finding

Section 31-7-13(b), Miss. Code Ann. (1972), states purchases which involve an expenditure of more than \$5,000.00 but not more than \$50,000.00, exclusive of freight and shipping charges may be made from the lowest and best bidder without publishing or posting advertisement for bids, provided at least two competitive written bids have been obtained. We noted the following in our audit testwork:

- Two competitive bids were not obtained for the purchase of voting machines with a purchase price greater than \$5,000.
- Two competitive bids were not obtained for the purchase of gas with a purchase price greater than \$5,000

Failure to obtain competitive written bids could result in excess costs to the county.

#### Recommendation

The Purchase Clerk should ensure that at least two competitive written bids are obtained prior to purchasing any items with a cost between \$5,000 and \$50,000 as required by law.

#### Purchase Clerk's Response

This will be corrected and I will take the correct measures to be in compliance with purchase laws.

#### Purchasing documents should be prepared in proper sequence.

#### 2. Finding

Sections 31-7-103 and 31-7-109, Miss. Code Ann. (1972), require purchase requisitions, purchase orders and receiving reports to accompany all claims for payment. We noted the following in our audit testwork:

- Documents for the purchase of road equipment were not in the proper sequence. The sales order and receiving report were dated 13 days prior to the board acceptance of bid and approved purchase. The purchase requisition and purchase order were dated seven days after the board approval date.
- Payment of maintenance agreement exceeded the board approved amount.

Failure to follow the requirements of the central purchasing system could result in the loss of public funds.

#### Recommendation

The Purchase Clerk should ensure required purchase transaction documents are present, completed with sufficient detail and specific amounts as required and in the proper sequence.

#### Purchase Clerk's Response

This will be corrected and the required documents will be in proper sequence.

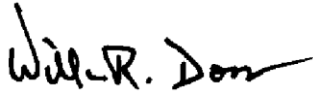
In our opinion, except for the noncompliance referred to in the preceding paragraph, Panola County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2011.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.



Panola County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended for use in evaluating the central purchasing system and inventory control system of Panola County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

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WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

May 29, 2013

PANOLA COUNTY  
Schedule of Purchases Not Made From the Lowest Bidder  
For the Year Ended September 30, 2011

Schedule 1

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
2/17/2011	1,098 96 gallon carts	\$ 44.50 per cart	Toter, Inc.	\$ 44 per cart	The carts from AmeriKart were not of high enough quality and did not work well with the county's trucks.

PANOLA COUNTY  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2011

Schedule 2

Our test results did not identify any emergency purchases.

PANOLA COUNTY

Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2011

Schedule 3

Our test results did not identify any purchases made noncompetitively from a sole source.



**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

**LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT**

Members of the Board of Supervisors  
Panola County, Mississippi

In planning and performing our audit of the financial statements of Panola County, Mississippi for the year ended September 30, 2011, we considered Panola County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Panola County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated May 29, 2013, on the financial statements of Panola County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain immaterial instances of noncompliance with state laws and regulations that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Chancery Clerk.

1. Chancery Clerk should only deduct allowable expenses.

Finding

Section 9-1-43(1) Miss. Code Ann. 1972, states that all fees that are received by the Chancery Clerk, that are in excess of the salary limitation after deducting allowable expenses, shall be deposited by such clerk into the county General Fund on or before April 15<sup>th</sup> of the subsequent calendar year. During our testwork we noted the following unallowable expense:

- \$210 for preparation of personal tax return.

The Chancery Clerk did not settle the correct amount to the county, which could result in deficit cash balances for the General Fund.

### Recommendation

The Chancery Clerk should reimburse the county \$210 for unallowable expenses and file an amended annual report.

### Chancery Clerk's Response

I agree that I should refund \$210 to the General Fund of Panola County and will deposit the said amount on April 5, 2013.

### Auditor's Note

The Chancery Clerk remitted \$210 to the General Fund of the county on April 8, 2013 as evidenced by receive warrant 2562F.

## 2. Land redemption cash collections should be deposited on a timely basis.

### Finding

An effective system of internal controls over land redemption cash collections should include timely deposits of collections. During audit test work, we noted that land redemption cash collections were not being deposited timely. The lack of timely deposits for land redemption collections could lead to a loss of public funds.

### Recommendation

The Chancery Clerk or a deputy clerk in the office should make timely deposits of land redemption cash collections.

### Chancery Clerk's Response

I was at the Chancery Clerk's convention and since I am the only person that makes land redemption deposits, none were made from May 19 to May 31. I normally make at least one deposit daily.

Justice Court Clerk.

## 3. Justice Court Clerk and Deputy Justice Court Clerks should be bonded as required by law.

### Finding

Section 9-11-29(2) Miss. Code Ann. 1972, states every person appointed as clerk and deputy clerk of the justice court shall, before entering into the duties of the position, give bond, with sufficient surety, to be payable, conditioned and approved as provided by law and in the same manner as other county officers, in a penalty equal to \$50,000. During audit test work, we noted:

- Two Deputy Justice Court Clerks did not have a bond.
- Justice Court Clerk had an indefinite bond.

Failure to properly bond Justice Court Clerk and Deputy Justice Court Clerks could result in the loss of public funds.

### Recommendation

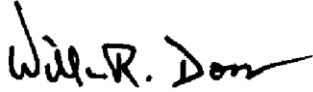
The Board of Supervisors should take steps to ensure that all county officials required by statute to be bonded are properly bonded.

### Justice Court Clerk's Response

We had asked our bonding company to correct the indefinite term on the bond and thought this had been corrected. We have the bond on one of the deputy clerks and the other clerk no longer works for Panola County so that has been corrected.

Panola County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Will R. Doss". The signature is written in a cursive, slightly slanted style.

WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

May 29, 2013

PANOLA COUNTY

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PANOLA COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PANOLA COUNTY

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PANOLA COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2011

Section 1: Summary of Auditor's Results

***Financial Statements:***

1. Type of auditor's report issued on the financial statements:
 

Governmental activities	Unqualified
Business-type activities	Unqualified
Aggregate discretely presented component units	Adverse
General Fund	Unqualified
GE Expansion Fund	Unqualified
Countywide Road Maintenance Fund	Unqualified
Bridge Fund	Unqualified
Solid Waste Fund	Unqualified
Aggregate remaining fund information	Unqualified
2. Internal control over financial reporting:
  - a. Material weaknesses identified? Yes
  - b. Significant deficiencies identified? Yes
3. Noncompliance material to the financial statements noted? Yes

***Federal Awards:***

4. Internal control over major programs:
  - a. Material weakness identified? No
  - b. Significant deficiencies identified? Yes
5. Type of auditor's report issued on compliance for major federal programs: Unqualified
6. Any audit finding(s) disclosed that are required to be reported in accordance with Section \_\_.510(a) of OMB Circular A-133? ) Yes
7. Federal programs identified as major programs:
  - a. Edward Byrne memorial justice assistance grant program, CFDA # 16.738
  - b. ARRA-Energy efficiency and conservation block grant program, CFDA # 81.128
  - c. Disaster grants-public assistance (presidentially declared disasters, CFDA # 97.036)
8. The dollar threshold used to distinguish between type A and type B programs: \$300,000
9. Auditee qualified as a low-risk auditee? No

PANOLA COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2011

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

Discretely presented component units should be included in financial statements.

11-1. Finding

Generally accepted accounting principles require the financial data of the county's component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting unit that include the financial data for its component units. As reported in the prior four years' audit reports, the financial statements do not include the financial data of the county's component units. The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component units.

Recommendation

The Board of Supervisors should provide the audited financial data for its discretely presented component units for inclusion in the county's financial statements.

Board of Supervisors' Response

See attached Corrective Action Plan.

Auditor's Note

Due to the absence of audited financial statements for the county's component units, there is no information available to verify that these component units are not material to the county's financial statements.

Material Weakness

Material Noncompliance

Controls over repayment of interfund advances should be strengthened.

11-2. Finding

The Mississippi Code is silent regarding the authority of the county to make interfund loans. The County has interfund loans outstanding that are over one year old. As reported in numerous prior years' audit reports, these loans were made when the county experienced negative cash flows in some funds. However, the loans were not repaid as of September 30, 2011. Failure of the Board of Supervisors to ensure payment of these loans is an illegal diversion of legally restricted funds.

Recommendation

For any interfund loan made, the Board of Supervisors should approve and record in the board minutes the reason of the loan, when the loan will be repaid and the source of funds for repayment. The Board of Supervisors should ensure these old loans are repaid by approving and recording in the board minutes a repayment schedule and complying with the repayment schedule.

PANOLA COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2011

Board of Supervisors' Response

See attached Corrective Action Plan.

Significant Deficiency

Controls over federal revenues and expenditures should be strengthened.

11-3. Finding

An effective system of internal control over federal grants should include adequate subsidiary records documenting all revenues and expenditures to each federal grant received. As reported in the prior year's audit report, the County did not have adequate controls in place to ensure it reported all federal grant expenditures on the Schedule of Expenditures of Federal Awards for the year ended September 30, 2011. As a result, corrections were proposed by the auditor and made by the county to the Schedule of Expenditures of Federal Awards. The failure to properly complete the Schedule of Federal Expenditures of Federal Awards increases the possibility of reporting incorrect amounts of federal expenditures, as well as the possibility of omitting a federal grant on the Schedule of Federal Awards.

Recommendation

The County should implement controls to ensure it properly maintains adequate subsidiary records documenting all revenues and expenditures relating to each federal grant received.

Board of Supervisor's Response

See attached Corrective Action Plan.

Significant Deficiency

Object codes should be consistent for all revenue accounts through-out all funds.

11-4. Finding

An effective internal control system should have consistent object codes through-out all funds of the county. As reported in the prior year's audit report, the County's chart-of-accounts does not have consistent object codes through-out all funds of the county. Inconsistent object codes could lead to the incorrect classification of revenues in the financial statements.

Recommendation

The County should implement an accounting system that has consistent object codes through-out all of the funds of the county.

Board of Supervisor's Response

See attached Corrective Action Plan.

PANOLA COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2011

Significant Deficiency

Controls over tax levy description should be strengthened.

11-5. Finding

An effective system of internal control over the tax levy should ensure the legal descriptions of the tax levies are included in the order levying the tax levy. As reported in the prior year's audit report, the legal descriptions of the tax levies were omitted from the order levying the taxes. The omission of the legal descriptions of the tax levies led to:

- Not knowing what cities were included in some tax levies.
- Not knowing fire districts.
- Not knowing what districts were state tax only.

The omission of legal descriptions of the tax levies could lead to the improper or unauthorized tax levies.

Recommendation

The legal descriptions of the tax levies should be included in the order levying the tax levy.

Board of Supervisor's Response

See attached Corrective Action Plan.

Chancery Clerk.

Significant Deficiency

Controls over payroll should be strengthened.

11-6. Finding

An effective system of internal control over payroll should ensure deductions are properly withheld and rates of pay are correct. As reported in the prior year's audit report, it was noted during testwork:

- Six instances in which deductions that should have been deducted pre-tax were deducted after tax.
- One part-time employee was paid an incorrect rate of pay. This employee was overpaid \$29.

The lack of internal control over payroll could lead to employees having excess taxes withheld and being over paid.

Recommendation

Internal controls over payroll should be implemented to verify that withholdings are properly withheld and rates of pay are correct.

Chancery Clerk's Response

See attached Corrective Action Plan.

PANOLA COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2011

Material Weakness

Controls over cash collections in the Chancery Clerk's office should be strengthened.

11-7. Finding

An effective system of internal controls should include an adequate segregation of duties. As reported in the prior year's audit report, the cash collection function in the Chancery Clerk's offices was not adequately segregated for effective internal control. The Chancery Clerk receipts cash; prepares deposit slips; takes deposits to the bank; posts to the cash journal and signs the checks. Lack of adequate segregation of duties could result in the loss of public funds.

Recommendation

The Chancery Clerk should take steps to ensure that there is adequate segregation of duties in the collection and disbursement functions in the Chancery Clerk's offices or that there is external oversight over the operations of the Chancery Clerk's offices.

Chancery Clerk's Response

See attached Corrective Action Plan.

Tax Collector.

Material Weakness

Controls over cash collections and disbursements in the Tax Collector offices should be strengthened.

11-8. Finding

An effective system of internal controls should include an adequate segregation of duties. As reported in the prior year's audit report, the cash collection and disbursement functions in the Tax Collector offices were not adequately segregated for effective internal controls. The Deputy Tax Collector reconciles cash collections and receipts; prepares daily check-up sheets, deposits and monthly settlements; takes deposits to the bank; posts the cash journal; reconciles bank statements; and writes checks for all disbursements.

Recommendation

The Tax Collector should take steps to ensure that there is an adequate segregation of duties in the collection and disbursement functions of the Tax Collector offices or that there is external oversight over the operations of the Tax Collector offices.

Tax Collector's Response

See attached Corrective Action Plan.

PANOLA COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2011

Circuit Clerk.

Significant Deficiency

Controls over cash receipts in the Circuit Clerk offices should be strengthened.

11-9. Finding

An effective system of internal controls over the receipting of funds requires a system to ensure transactions are receipted in the correct receipt book and there is an accounting for missing and voided receipts. As reported in the prior year's audit report, we noted during testwork that civil receipts are often posted to the criminal receipt book and criminal receipts are often posted to the civil receipt book. We also noted that there is no accounting for voided receipts as original copies of voided receipts are not retained. There were also missing receipt books noted in testwork. Failure to properly account for voided receipts and to post receipts to correct receipt books could result in a loss of county funds.

Recommendation

The Circuit Clerk should implement a system of internal controls to ensure that all criminal and civil receipts are posted to their respective books and that the original copy of voided receipts are retained in the receipt book.

Circuit Clerk's Response

See attached Corrective Action Plan.

Significant Deficiency

Controls over reconciling cash in the Circuit Clerk offices should be strengthened.

11-10. Finding

An effective system of internal controls over cash in the Circuit Clerk office should include a reconciliation of the bank balance to the cash balance in the cash journal at the end of each month for each Circuit Clerk bank account. The Circuit Clerk did not reconcile the bank balances to the cash journal balances each month. Lack of internal controls over cash reconciliation could result in the loss of public funds.

Recommendation

The Circuit Clerk should reconcile each bank account balance to the cash journal balance each month.

Circuit Clerk's Response

See attached Corrective Action Plan.



PANOLA COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2011

Sheriff.

Significant Deficiency

Controls over cash receipts and disbursements in the Sheriff office should be strengthened.

11-11. Finding

An effective system of internal controls over Sheriff cash collections and settlements should include properly maintaining the cash journal and making settlements each month. Test work at the Sheriff's office revealed several internal control deficiencies:

- The cash journal for process fee collections was not maintained for the months of January through April and again in July.
- Settlements were not made timely each month. May cash collections were not settled to the county until July.
- Voided receipts were not accounted for properly. Two instances were noted in which the original white copy of the receipt was not attached on a voided receipt. In addition, no explanation was given on most voided receipts tested.

Not maintaining a cash journal properly and settling to the county timely could result in a loss of public funds.

Recommendation

The cash journal should be maintained each month and the bank account reconciled to the cash journal balances each month. A settlement should be made each month of cash collections to the county. Voided receipts should include the original copy of the receipts and an explanation of the void.

Sheriff's Response

See attached Corrective Action Plan.

Section 3: Federal Award Findings and Questioned Costs

Significant Deficiency

11-12. Controls should be strengthened over special test and provisions

81.128            ARRA – Energy Efficiency and Conservation Block Grant Program/ U.S. Department of Energy/Passed through Mississippi Development Authority

Compliance Requirement: Special Tests and Provisions

Finding

Buy America Act, "Title XVI, Section 1605 of ARRA requires the use of American-made steel, iron and manufactured goods for the construction, alteration, maintenance, or repair of public buildings or public works." A monitoring report showed the county did not comply with said standards, so described. Based on audit testwork performed, the county is in compliance, however, controls were not in place to ensure American-made steel, iron and manufactured goods were used. Lack of controls over federal grant activity could result in noncompliance and a loss of public funds.

PANOLA COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2011

Recommendation

The Board of Supervisors should ensure controls are in place to oversee the compliance of federal grant activity in the future.

Board of Supervisors' Response

See attached Corrective Action Plan.

Significant Deficiency

11-13. Controls need to be strengthened over the documentation of procured items

81.128            ARRA – Energy Efficiency and Conservation Block Grant Program/ U.S. Department of Energy/Passed through Mississippi Development Authority

Compliance Requirement: Procurement and Suspension and Debarment

Finding

Per Page 36 of the Sub-Recipient Manual XIII, Equipment Controls, section F Documentation, requires the county to have individual invoices of items bought with federal funds and maintain such records for 3 years. Audit testwork showed the county had proper invoices, however, a monitoring report disclosed that the county did not have controls in place to ensure the proper documentation was obtained. Failure to have controls in place to ensure proper documentation could result in noncompliance and the loss of public funds.

Recommendation

The Board of Supervisors should ensure that controls are in place to ensure all required documentation is obtained for items purchased with federal grants.

Board of Supervisors' Response

See attached Corrective Action Plan.

Significant Deficiency

11-14. Controls need to be strengthened over the segregation of funds designated as ARRA

81.128            ARRA – Energy Efficiency and Conservation Block Grant Program/ U.S. Department of Energy/Passed through Mississippi Development Authority

Compliance Requirement: Cash Management

Finding

The Code of Federal Regulations 10 C.F.R. 600, requires the county to provide financial documentation, including a copy of the general ledger, showing the segregation of the EECBG funded items, received and paid. A monitoring report showed the county did not have the proper documentation at the time of the visit. Based on testwork performed, the county had subsequently corrected these issues noted in the monitoring report and was in compliance at the time of the audit. However, the county did not have controls in place to ensure the documentation was completely segregated. Failure to have controls over the segregation of funds could result in the loss of potential public funds.

PANOLA COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2011

Recommendation

The Board of Supervisors should ensure controls are in place to oversee grants received and properly separate such funds.

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Board of Supervisors' Response

See attached Corrective Action Plan.

PANOLA COUNTY

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PANOLA COUNTY

AUDITEE'S CORRECTIVE ACTION PLAN

PANOLA COUNTY

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# BOARD OF SUPERVISORS

## PANOLA COUNTY, MISSISSIPPI

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### SUPERVISORS

District 1- James Birge, Vice- President  
District 2- Vernice Avant  
District 3- John Thomas  
District 4- Kelly Morris- President  
District 5- Cole Flint  
William H. McKenzie III, Attorney  
Kelley Magee, County Administrator

### BOARD MEETS

1<sup>st</sup> Monday at Sardis  
2<sup>nd</sup> Monday at Batesville

### CORRECTIVE ACTION PLAN

Office of the State Auditor  
P.O. Box 956  
Jackson, Mississippi 39205

Gentlemen:

Panola County respectfully submits the following corrective action plan for the year ended September 30, 2011.

The findings from the Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section 1: Summary of Auditor's Results, does not include findings and is not addressed.

### SECTION 2: FINANCIAL STATEMENT FINDINGS

#### 11-1 Corrective Action Planned:

The Board of Supervisors feels this is not cost effective to obtain audits of all component units. We will re-evaluate the materiality of component units in the future.

Anticipated Completion Date:

9-30-13

Name of Contact Person Responsible for Corrective Action:

Kelley Magee

11-2 Corrective Action Planned:

The county will work on paying back the loans that are legally required to be repaid and will prepare a board order to write off the loans that can legally be written off.

Anticipated Completion Date:

September 30, 2013 for loans that can be written off and September 30, 2017 will try to have other loans repaid.

Name of Contact Person Responsible for Corrective Action:

Kelley Magee

11-3 Corrective Action Planned:

We now put all federal grants in a separate fund except FEMA grants. The expenditures for FEMA grants are paid out of the Road fund at the time of the disaster and the expenditures are not always put on the schedule because they may not be reimbursed with at federal grant.

Anticipated Completion Date:

September 30, 2013

Name of Contact Person Responsible for Corrective Action:

Kelley Magee

11-4 Corrective Action Planned:

We have changed computer software as of 10-1-2012 and this problem should be corrected.

Anticipated Completion Date:

10-1-2012

Name of Contact Person Responsible for Corrective Action:

Kelley Magee

11-5 Corrective Action Planned:

We have added the code section by each tax levy on our levy sheet. Panola County has 90 different taxing district codes. The information requested can be obtained in the 90 different tax district codes used by the Tax Collector/ Assessor.



Anticipated Completion Date:

September 30, 2012

Name of Contact Person Responsible for Corrective Action:

Kelley Magee

11-6 Corrective Action Planned:

The payroll clerk inputs all payroll information. I simply print the checks and make timely deposits of all requires withholdings.

Anticipated Completion Date:

October 1, 2012

Name of Contact Person Responsible for Corrective Action:

Jim Pitcock

11-7 Corrective Action Planned:

Most cash receipts are collected by other departments and bought to me to be receipted. Since I am ultimately responsible for every penny in the county, I feel that it is my duty to prepare deposits and make sure they are deposited in a timely and safe manner. The County Administrator's office provides the checks and balances by posting the cash receipts and reconciling the bank statements.

Anticipated Completion Date:

We feel this has been corrected.

Name of Contact Person Responsible for Corrective Action:

Jim Pitcock

11-8 Corrective Action Planned:

In the past, we were told the bookkeeper was responsible for all the above mentioned duties. Now we will have the Tax Collector review bank statements and try to have a different deputy take the deposit to the bank and help with other duties

Anticipated Completion Date:

04-30-2013

Name of Contact Person Responsible for Corrective Action:

Rhonda Fox

Anticipated Completion Date:

September 30, 2012

Name of Contact Person Responsible for Corrective Action:

Kelley Magee

11-6 Corrective Action Planned:

The payroll clerk inputs all payroll information. I simply print the checks and make timely deposits of all requires withholdings.

Anticipated Completion Date:

October 1, 2012

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Anticipated Completion Date:

04-30-2013

Name of Contact Person Responsible for Corrective Action:

Rhonda Fox

### SECTION 3: FEDERAL AWARD FINDINGS

#### 11-12 Corrective Action Planned:

At the time of the Monitoring visit the boiler that had been installed did not have all parts “Made in America” so the boiler was replaced with one that had been totally made in America. We do feel like we have the controls in place because this was corrected.

Anticipated Completion Date:

This has already been corrected.

Name of Contact Person Responsible for Corrective Action:

N/A

#### 11-13 Corrective Action Planned:

Panola County had bid this project out and we paid the contractor per the contractor’s invoices. This grant required us to have copies of the invoices that the contractor had paid to his vendors. We have obtained all invoices from the contractor. These invoices were put in our files and will be kept for a minimum of 3 years following the closeout of the grant.

Anticipated Completion Date:

This has already been corrected.

Name of Contact Person Responsible for Corrective Action:

N/A

#### 11-14 Corrective Action Planned:

Panola County did an interfund loan to the Energy Grant fund so the invoices could be paid and a copy of the checks sent for reimbursement for this grant. The grant required us not to put any other monies in this fund. We had to pay the invoices and get reimbursed and paying all invoices from the grant fund is the way you keep up with the expenditures for the grant. If expenditures were paid from other funds it would have been harder to make sure we got reimbursed for all grant expenditures.

Anticipated Completion Date:

This has already been corrected.

Name of Contact Person Responsible for Corrective Action:

N/A

Sincerely yours,



Kelly Morris  
President, Board of Supervisors  
662-563-6200